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If Con Man Can Con CIA, What Can the KGB Do?

WHAT IN THE RECORDS of the U.S. District Court in Honolulu is only a trial for fraud, perjury and income tax evasion is turning into a damning indictment of the Central Intelligence Agency.

The defendant, Ronald R. Rewald, 41, described by his attorneys as a man who has the "ability to convey sincerity," is charged with swindling hundreds of investors out of \$22 million. The attorneys' defense is that he was used and abandoned by the CIA — "a spy left out in the cold."

The evidence indicates otherwise. What is so disturbing is that among those he conned are a number of CIA agents and higher-ranking officials — and the agency itself.

A year after he moved to Hawaii in 1977, Rewald was a walk-in volunteer to the CIA office in Honolulu, averring he had helped finger student anti-war activists for the agency in the 1960s. The Honolulu station chief, Eugene J. Welch, suggested that he might be helpful in providing "corporate cover" to agents needing to conceal their identities. When Welch's successor, John C. Kindschi, arrived on the scene, Welch passed Rewald on to him. Meanwhile, the comedy of errors by the CIA thickened.

The agency early discovered that Rewald had left Wisconsin after being convicted of petty theft in a franchise fraud scheme. The agent in charge of "corporate cover" arrangements not only overlooked that, but also recommended against a full background investigation of Rewald when the latter complained that interviews with his neighbors might create "unfavorable attention and possibly publicity."

Kindschi himself wrote the CIA Office of Security that Rewald was a champion sprinter, former professional football player, pilot, devout churchgoer and highly successful businessman. Asked at the trial how he knew this, Kindschi, who went to work for one of Rewald's companies after retiring from the CIA in 1980, said, "He told me."

Rewald received nothing from the CIA for the cover he provided except \$2,800 to cover expenses such as telephone bills and stationery used in the cover operation. But he used his CIA connections as a credential for peddling his investment scheme that promised its victims 26 percent a year on their money. So credible was he that at least five and perhaps as many as 12 CIA employees put their money with him. Kindschi himself invested and lost \$100,000 of his own money and another \$100,000 belonging to his 86-year-old mother.

Some investors reaped profits for a while; Rewald used the money from later investors to pay "dividends" to those who came in early; they in turn hyped his scheme to other potential investors. He lived lavishly, with fleets of cars, an ocean-front mansion, and two ranches; he bought a polo club and a string of polo ponies. He later said he did so because the CIA demanded that he live in "high-flying" style.

His downfall came not through the CIA, but because in 1982 an Internal Revenue Service agent, Joseph Camplione, became curious when his children told of Rewald's children, who attended the same school, being brought to classes in chauffeur-driven limousines. Camplione found Rewald had reported receiving no

income for the past two years and opened an investigation. When Rewald found himself facing the IRS inquiry, he informed the CIA and persuaded it to stop the investigation.

In 1983, after it was reopened, Rewald was found barely conscious in a hotel room, a suicide note nearby. Only \$300,000 of the \$22 million he had taken from investors could be found.

At the trial, Kindschi said he had regarded Rewald as "an all-American boy.... I came from a small agricultural community," he went on. "We all knew each other, trusted one another. I believed I could read people quite well. I thought I could tell the good guys from the bad guys."

In the Soviet Union, con men as able as Ronald Rewald most likely are to be found working for the KGB. We shudder to think of the consequences if the CIA is as easy prey to them as it and some of its agents were to Rewald.